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DE RUEHBU #0480 0601640
ZNR UUUUU ZZH
O 011640Z MAR 06
FM AMEMBASSY BUENOS AIRES
TO RUEHC/SECSTATE WASHDC IMMEDIATE 3650
INFO RHEHNSC/NSC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS BUENOS AIRES 000480

SIPDIS

SENSITIVE
SIPDIS

DEPT FOR EB AS WAYNE, WHA AS SHANNON, PDAS SHAPIRO AND
WHA/BSC
NSC FOR DAN FISK
TREASURY FOR TIM ADAMS AND NANCY LEE

E.O. 12958: N/A

TAGS: ECON EFIN AR

SUBJECT: DEMARCHE ON ARGENTINA IDB ABSTENTION

REF: A. SECSTATE 32890

IB. BUENOS AIRES 322

¶1. (SBU) Per Ref A instruction, I called on MFA Director for Political Affairs Ambassador Luis Cappagli (the number three official in the MFA) at 10:45 a.m. local time (8:45 a.m. Washington time) on March 1. Foreign Minister Taiana was at the Congress for President Kirchner's speech at the opening of the legislative session, and Deputy FM Roberto Garcia Moritan is at a UN meeting in New York.

¶2. (SBU) Using all the points in paragraph 6 of Ref A, I informed Cappagli about the U.S. intention to abstain on the IDB loan. I explained that the USG vote was based on our need to send a clear message to the IDB, and that we remained committed to working with Argentina in the international financial institutions, as we had since 2003 to the present. I reminded Cappagli that we had supported and encouraged the disbursement of \$22.5 billion in new approvals for IFI assistance. I noted that we expected that the loan would be approved by the IDB board notwithstanding our abstention, and that we were committed to working with Argentina on its economic reforms and public financial management.

¶3. (SBU) Cappagli said he was surprised by the U.S. decision to abstain on the loan. He described the U.S. vote as a "serious blow" ("golpe duro") to the relationship, coming as it did at a time when there was a general perception that the U.S.-Argentina relationship had been re-acquiring momentum after the Mar del Plata Summit of the Americas. Cappagli said that he had spent most of last Saturday working to change Argentina's vote at the ICAO board meeting in order to support the U.S. candidate. This had involved breaking ranks with the Latin ICAO group and reneging on a previous commitment to back an Algerian candidate. Argentina had undertaken this action as a "gesture of friendship and affection." A U.S. abstention on an IDB loan for Argentina at this time will be "very costly."

¶4. (SBU) I reiterated that the U.S. action was not directed against Argentina, but meant to send a message to the IDB. Cappagli said that the media would never understand the nuance. He asked if there were any way that the U.S. could reconsider its vote. I said I did not think so. We had not taken the decision lightly, and it had been fully debated within the USG.

¶5. (SBU) Earlier in the morning I had received a call from Argentine ambassador to the U.S. Jose Octavio Bordon, who is currently in Buenos Aires. Bordon had heard from his IDB

representative about the U.S. abstention. He too said this would be viewed in the media as a U.S. action against Argentina, and asked if we could reconsider. I gave the same answer I gave Cappagli. Bordon said he lamented that the U.S. had shifted course in its policy with respect to Argentina and would now be joining the traditional position of Japan and Italy in abstaining on IFI loans for Argentina. I assured him that this was not the case, that our vote was meant to send a message to the IDB on this particular loan and nothing more.

GUTIERREZ